

WASHINGTON, DC – Congressman Robert C. “Bobby” Scott, a member of the House Budget Committee, issued the following statement on the Bush-era tax cuts:

“The House Budget Committee, the Center for Budget and Policy Priorities, and other reputable organizations have all recently identified the budgetary goal of “primary balance.” The federal budget would be determined to be in primary balance when the revenue collected by the Federal Government would pay for all Federal Government outlays, excluding net interest payments on the national debt. In his Executive Order creating the bipartisan National Commission on Fiscal Responsibility and Reform, President Obama tasked the Commission to propose “recommendations designed to balance the budget, excluding interest payments on the debt, by 2015.” [\[i\]](#) Achieving primary balance in four years would allow Congress and the President to focus their efforts on truly addressing the long-term structural imbalances in the federal budget. As the charts below show, using Congressional Budget Office (CBO) data [\[ii\]](#), if we allow all of the Bush-era tax cuts to expire as scheduled, the federal budget would be close to primary balance in 2014.

“It is important to use CBO data; using Office of Management and Budget (OMB) data is not as good a standard. OMB factors in the President’s policy proposals that are not yet enacted into law. The non-partisan Congressional Budget Office is required by law to factor in only current law into its baseline, not policy assumptions or legislative proposals that may or may not become law, and therefore is a better basis for budgetary policy making.

“The fact remains that extending the Bush-era tax cuts will cost the U.S. Treasury about \$3.7 trillion in revenue over the next decade. Extending just the popular middle- and lower-income tax cuts will cost \$3 trillion. It is hard to imagine that extending all of the tax cuts at a cost of \$3.7 trillion is fiscally irresponsible, but extending \$3 trillion worth of tax cuts is somehow fiscally sensible.

“The co-chairs of the President’s Fiscal Commission just recently released a draft of recommendations to curtail the deficit. Their proposal includes spending cuts so draconian that they are likely to be summarily rejected by Congress. Their plan reduces the deficit by \$3.8 trillion [\[iii\]](#) – almost exactly the cost of extending all the Bush-era tax cuts.

“Fiscal responsibility in the federal budget requires making tough choices. If you cut one person’s taxes, then you must pay for those tax cuts by either increasing someone else’s taxes or by cutting spending. The proposal of the co-chairs of the President’s Fiscal Commission demonstrates the fiscal reality of extending the Bush-era tax cuts by listing the kinds of cuts that would be needed to pay for the extension.

“Unfortunately, the Republican Party never attempts to tackle the tough choices. For the six years that the Republican Party held both chambers in Congress and the White House, they failed time and time again to make these tough choices. They enacted \$1.3 trillion in tax cuts in 2001 and another \$350 billion in 2003 without offsets. They created a trillion dollar prescription drug entitlement program without paying for it [\[iv\]](#) . We also shouldn’t forget that they financed two wars overseas with borrowed money.

“Democrats can and have made these tough choices – most recently with the enactment of Health Care Reform [\[v\]](#) , which provides the largest benefit to the middle class since the enactment of Social Security and at the same time is paid for, in fact the CBO projects that it will reduce the deficit by nearly \$1.2 trillion over the next two decades [\[vi\]](#) .

In 1993, Democrats passed the 1993 Clinton Budget

[\[vii\]](#)

that led to a record number of jobs created, almost quadrupled the Dow Jones Industrial Average and was on schedule to pay off the entire debt held by the public by 2008

[\[viii\]](#)

. That budget passed without a single Republican vote in either the House or the Senate.

“We need to make tough, unpopular choices – obviously letting tax cuts expire is unpopular. But when we ever get serious about the deficit, we will find that the realistic alternatives are even more unpopular.

"And while we have to be sensitive to the fact that we are still in an economic recovery, the additional revenue from a return to the Clinton-era tax rates could be directed immediately towards job creation through investments in direct job programs, such as highway and public transit construction jobs, summer jobs programs, and the AmeriCorps program. Such targeted, temporary job creation spending will not only accelerate the recovery, but the influxes in spending in these areas can be ended a lot easier than reductions in individual income tax rates.

“If we don’t have the political will to end the Bush-era tax cuts now, we certainly won’t have the political will to do it during a presidential election if this Congress enacts a two-year extension of all the rates. Accordingly, the reasonable choice Congress should make now is to allow the Bush-era tax cuts to expire as scheduled at the end of this year and try to restore fiscal sanity to our nation’s capital.”

Chart 1:

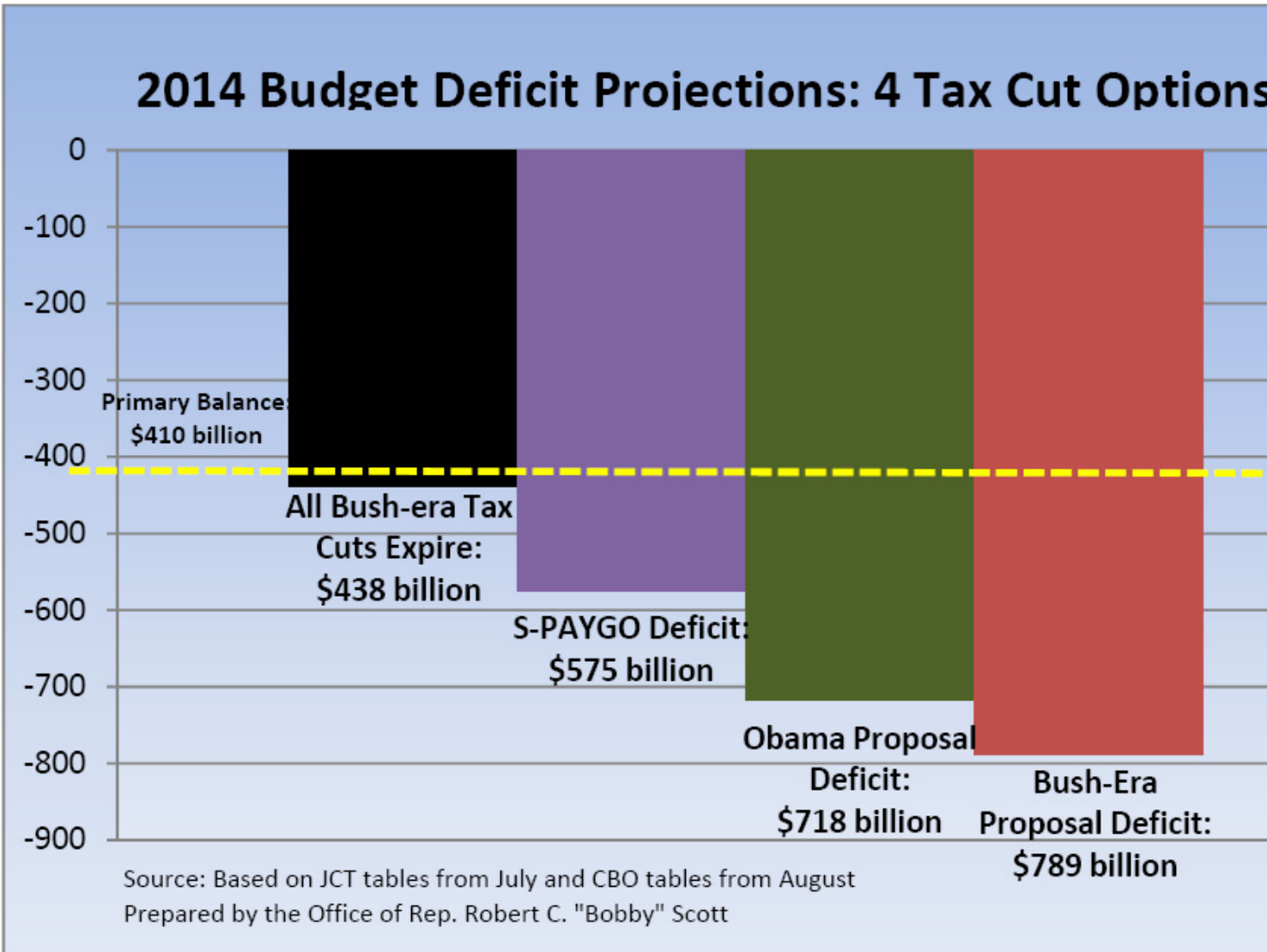
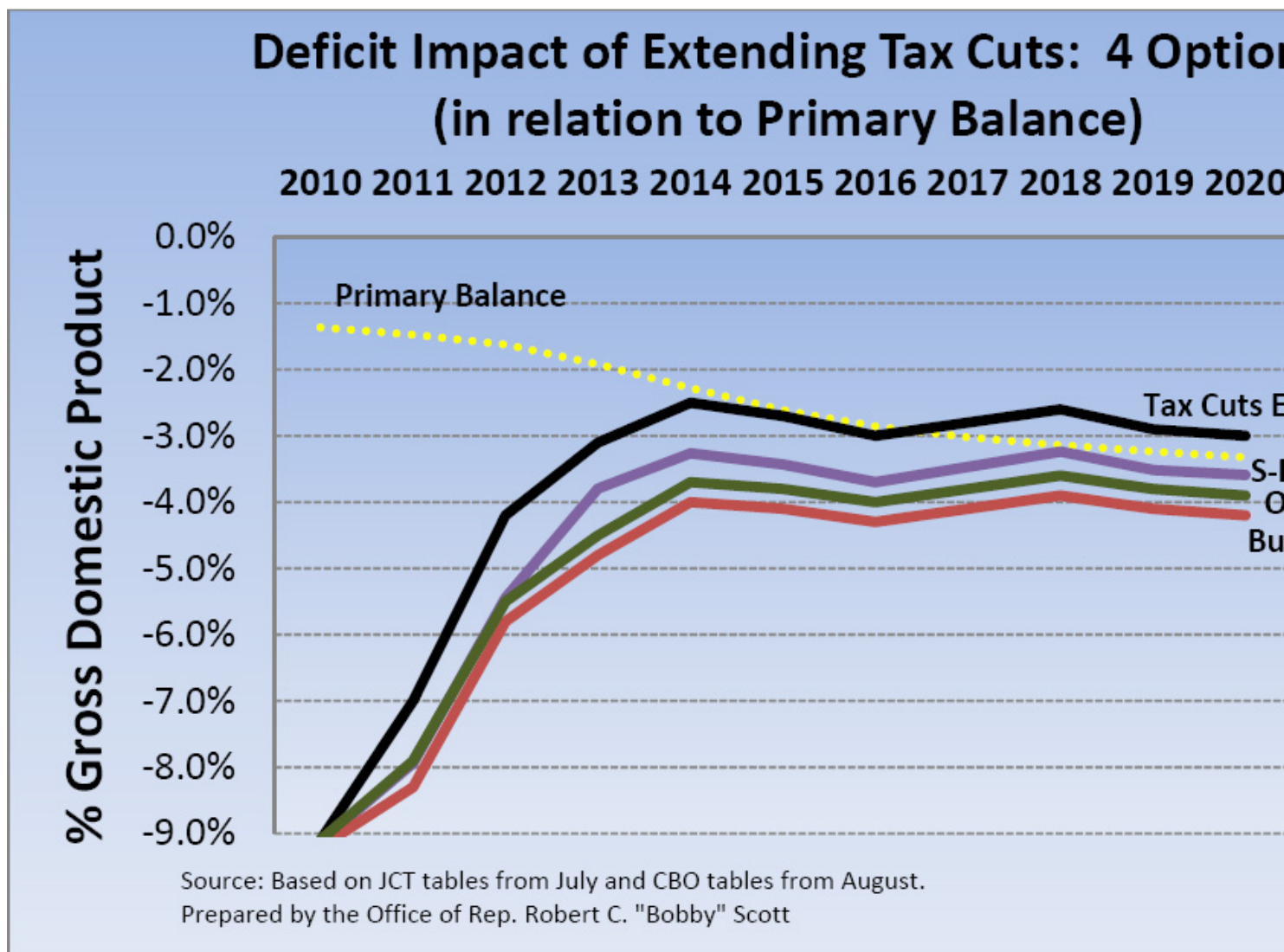


Chart 2:



Note: These charts show the deficit impact, in billions of dollars (chart 1) and as a percentage of GDP (chart 2), compared to Primary Balance (outlays excluding net interest payments on the debt) of the 4 primary options with regards to the Bush-era tax cuts. They are:

1. **Bush-Era:** Extend all Bush-era 2001-03 tax cuts
2. **Obama:** President Obama's proposal – extend Bush-era tax cuts for that portion of all taxpayers' income under \$200k/ \$250k
3. **S-PAYGO:** Statutory PAYGO's ("S-PAYGO") current policy tax exceptions – which accommodate President Obama's proposals, but with only 2 years of AMT and estate tax relief

4. **Tax Cuts Expire:** Let all Bush-era tax cuts expire (CBO     Baseline Data)

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[i] Executive Order 13524 -- National Commission on Fiscal Responsibility and Reform (Section 4), The White House, 18 February 2010 ( <http://www.whitehouse.gov/the-press-office/executive-order-national-commission-fiscal-responsibility-and-reform> ).

[ii] The Budget and Economic Outlook: An Update, Congressional Budget Office, August 2010 (pg 2) ( <http://cbo.gov/ftpdocs/117xx/doc11705/08-18-Update.pdf> ).

[iii] National Commission on Fiscal Responsibility and Reform, Co-Chairs' Proposal (Slide 11) ( [http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/CoChair\\_Draft.pdf](http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/CoChair_Draft.pdf) ).

[iv] Fully implemented 10-year cost ( [http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/33\\_1.pdf](http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/33_1.pdf) )

[v] Patient Protection and Affordable Care Act (Public Law 111-148) and the Health Care and Education Reconciliation Act (Public Law 111-152).

[vi] Cost estimate of H.R. 4872, Reconciliation Act of 2010, Congressional Budget Office, 20 March 2010 (pg 12) ( <http://cbo.gov/ftpdocs/113xx/doc11379/AmendReconProp.pdf> ).

[vii] Omnibus Budget Reconciliation Act of 1993 (Public Law 103-66)

[viii] The Budget and Economic Outlook: Fiscal Years 2002-2011, Congressional Budget Office, January 2001 (pg 2) ( <http://cbo.gov/ftpdocs/27xx/doc2727/entire-report.pdf> ).

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